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FISCAL IMPACT STATEMENT

LS 6351 **NOTE PREPARED:** Nov 17, 2004
BILL NUMBER: SB 51 **BILL AMENDED:**

SUBJECT: Sale of Tax Credits.

FIRST AUTHOR: Sen. Ford **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL **IMPACT:** State
X DEDICATED
FEDERAL

Summary of Legislation: The bill provides that a taxpayer that is entitled to a state tax credit may sell, assign, convey, or otherwise transfer any unused part of the tax credit that exceeds the taxpayer's tax liability.

Effective Date: July 1, 2005.

Explanation of State Expenditures: The Department of State Revenue (DOR) would incur some administrative expenses as a result of allowing taxpayers to transfer tax credits. The bill requires the DOR to administer the tax credit transfer process and establish a reporting system for tax credit transfers. The DOR also may have to revise tax forms, instructions, and computer programs for purposes of tax credit transfers. These expenses presumably could be absorbed given the DOR's existing budget and resources.

Explanation of State Revenues: The bill would reduce state Adjusted Gross Income (AGI) Tax, Insurance Premiums Tax, and Financial Institutions Tax liabilities of individual and corporate taxpayers that obtain unused tax credits from other individual and corporate taxpayers. Data is unavailable indicating the amount of outstanding tax credits that are not used from year to year. Assuming unused credit amounts would eventually be utilized, this change has no long-run fiscal impact. Rather, the change likely provides for more timely use of credits obtained by taxpayers whose tax liabilities are not sufficient to exhaust the credits in one year. As a result, the bill could potentially lead to a significant short-term increase in the use of tax credits beginning in FY 2006 and FY 2007.

The bill allows a taxpayer to transfer sell, assign, convey, or otherwise transfer tax credits to another taxpayer beginning in tax year 2006. A taxpayer may transfer only the tax credit amounts that exceed the taxpayer's tax liability. Pertinent tax credits that could be transferred under the bill are listed below.

(1) Enterprise Zone Employment Expense Credit
(2) Enterprise Zone Loan Interest Credit
(3) Enterprise Zone Investment Cost Credit
(4) Teacher Summer Employment Credits
(5) Research Expense Credits
(6) Neighborhood Assistance Credits
(7) Industrial Recovery Tax Credit
(8) Military Base Recovery Tax Credit
(9) Economic Development for a Growing Economy Tax Credit
(10) Capital Investment Tax Credit
(11) Maternity Home Tax Credit
(12) Tax Credit for Computer Equipment Donations
(13) Historic Rehabilitation Credit
(14) Indiana Riverboat Building Credit
(15) Community Revitalization Enhancement District Tax Credit
(16) Residential Historic Rehabilitation Credit
(17) Rerefined Lubrication Oil Facility Credit
(18) Voluntary Remediation Tax Credit
(19) Venture Capital Investment Tax Credit
(20) Coal Combustion Product Tax Credit
(21) Hoosier Business Investment Tax Credit
(22) Blended Biodiesel Tax Credits
(23) Ethanol Production Tax Credit

Revenue from the AGI Tax on corporations, the Financial Institutions Tax, and the Insurance Premiums Tax is distributed to the state General Fund. The revenue from the AGI Tax on individuals is deposited in the state General Fund (86%) and the Property Tax Replacement Fund (14%). Since the bill is effective beginning in tax year 2006, the fiscal impact could potentially begin in FY 2006 if taxpayers adjust their quarterly estimated payments.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources:

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